



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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February 20, 2009

TO: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **SOUTH BAY FAMILY HEALTHCARE CENTER CONTRACT REVIEW -  
A DEPARTMENT OF PUBLIC HEALTH HIV/AIDS PREVENTION AND  
CARE SERVICES PROVIDER**

We conducted a fiscal review of South Bay Family Healthcare Center (SBFHC or Agency), a Department of Public Health (DPH) HIV/AIDS preventive and care services provider.

**Background**

DPH's Office of AIDS Programs and Policy (OAPP) contracts with SBFHC to provide HIV/AIDS case management and mental health counseling services. SBFHC is located in the Fourth District.

At the time of our review, SBFHC had two cost reimbursement contracts with OAPP. The County paid SBFHC approximately \$265,000 for the period March 2007 to February 2008. The contracts required the Agency to comply with the Ryan White Comprehensive AIDS Resource Emergency Act (CARE Act) and other federal and State program requirements.

**Purpose/Methodology**

The purpose of our review was to ensure that SBFHC appropriately spent funds in accordance with the County contract. We also evaluated the adequacy of SBFHC's accounting records, internal controls and compliance with the contract and applicable

federal and State fiscal guidelines governing the CARE Act. In addition, we determined whether the Agency provided services to eligible participants.

### **Results of Review**

Overall, the Agency appropriately recorded and deposited cash receipts timely in the Agency's bank account and maintained updated personnel files for their staff. However, SBFHC did not always comply with the County contract requirements. Specifically SBFHC:

- Did not develop a client fee determination system as required by the County contract.
- Billed OAPP for payroll expenditures based on budget not actual expenditures as required. As a result, the Agency over billed OAPP \$11,967.

The details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with SBFHC management on July 8, 2008. In their attached response, the Agency agreed with our findings and agreed to repay OAPP the \$11,967 in questioned costs. We also notified OAPP of the results of our review.

We thank SBFHC for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer  
Jonathan E. Fielding, Director, Public Health Department  
Jann Hamilton Lee, President /CEO, South Bay Family Healthcare Center  
Public Information Office  
Audit Committee

**HIV/AIDS CARE SERVICES  
SOUTH BAY FAMILY HEALTHCARE CENTER  
FISCAL YEAR 2007-08**

**ELIGIBILITY**

**Objective**

Determine whether South Bay Family Healthcare Center (SBFHC or Agency) provided services to individuals that meet the eligibility requirements of the Office of AIDS Programs and Policy (OAPP).

**Verification**

We reviewed the case files for ten program participants that received services from March 2007 to January 2008 for documentation to confirm the participants' eligibility for OAPP services.

**Results**

All program participants' case files contained documentation to support participants' eligibility to receive program services.

**Recommendation**

**There are no recommendations for this section.**

**CASH/REVENUE**

**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's November 2007 bank reconciliation.

**Results**

SBFHC appropriately recorded and deposited OAPP payments timely to the Agency's bank accounts. However, SBFHC had not developed and implemented a client fee determination system as required by the County contract. The client fees determination system should be based on the client's ability to pay and approved by OAPP.

**Recommendation**

1. SBFHC management establish and implement a client fee determination system and ensure that it is approved by OAPP.

**EXPENDITURES****Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed to the program.

**Verification**

We interviewed Agency personnel, reviewed financial records and reviewed supporting documentation for 27 non-payroll expenditures totaling \$15,737 from March 2007 to January 2008.

**Results**

Overall, SBFHC's expenditures were allowable and properly documented.

**Recommendation**

There are no recommendations for this section.

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether the Agency's fixed assets and equipment purchases made with OAPP funds are used for the OAPP program and are safeguarded.

We did not perform testwork in this area as the Agency did not charge OAPP any costs for the purchase of any fixed assets.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll expenditures were appropriately charged to the program. In addition, determine whether personnel files are maintained as required.

**Verification**

We reviewed payroll expenditures charged to OAPP for five employees totaling \$60,365 and employee benefits totaling \$14,488 during March 2007 to December 2007 to the Agency's payroll records and time reports. We also reviewed personnel files of staff assigned to OAPP activities.

**Results**

Generally, SBFHC maintained the required personnel records. However, SBFHC's payroll billings were not in compliance with the County contract requirements. Specifically, SBFHC:

- Charged OAPP \$11,967 for salaries and employee benefits in excess of their actual costs for three employees. SBFHC's payroll billings were based on 1/12<sup>th</sup> of their budget not actual salary costs incurred.
- Did not require staff to report their actual hours worked by program on their timecards when employees worked on more than one program.

**Recommendations**

**SBFHC management:**

- 2. Repay OAPP \$11,967.**
- 3. Bill payroll expenditures based on actual costs incurred and report actual hours worked on OAPP related activities.**

**COST ALLOCATION PLAN****Objective**

Determine whether the SBFHC's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate indirect expenditures.

We did not perform test work in this section as the Agency did not bill OAPP for any indirect costs.



August 12, 2008

Wendy L. Watanabe  
Acting Auditor-Controller  
County of Los Angeles  
Department of Auditor-Controller  
500 West Temple Street, Room 525  
Los Angeles, CA 90012-2706

Dear Ms. Watanabe;

Enclosed for your review is our response to the findings discussed at the exit conference held July 8, 2008.

1. SBFHC establish and implement a client/patient fee determination system and ensure that it is approved by OAPP.

SBFHC has developed a fee system based on the requirements of our contract. This system includes the procedures and forms used in the financial screening of clients; schedule of fees; procedures and forms used in determining whether client is covered by any third party payor and the frequency intervals of subsequent client financial screenings (copies enclosed). This fee system has been sent to OAPP for approval and will be implemented upon the receipt of this approval.

2. SBFHC did not require staff to report their actual hours worked by program on their timecards when employees worked on more than one program.

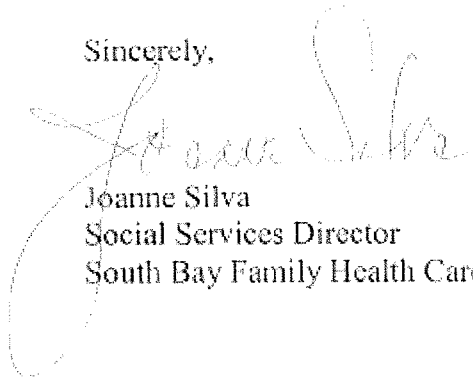
Our current timecards have been revised to include the number of hours worked on each OAPP program (sample enclosed).

3. SBFHC charged OAPP \$11,967 for salaries and employee benefits in excess of their actual costs for three employees. SBFHC's payroll billings were based on 1/12<sup>th</sup> of the budget not actual salary costs incurred.

SBFHC is now billing payroll based on actual expense incurred. SBFHC will arrange a payment schedule for the overbilled amount once we are contacted by Jackie Montero of OAPP.

If you have any questions, or comments, please contact me at (310) 318-2521 ext. 1422. Thank you for your assistance.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joanne Silva". The signature is written in dark ink and is positioned above the printed name and title.

Joanne Silva  
Social Services Director  
South Bay Family Health Care